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**2. NASR REPORTEDLY PLANNING STATE OIL MONOPOLY
USING SOVIET AID**

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[] []
President Nasr stated on 12 July that the Egyptian government is planning to establish a new state-owned oil company which is to have exclusive rights in Egypt for the

exploration, production, refining and marketing of oil, []

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[] The USSR has reportedly agreed to supply technicians and machinery for the new company and will invest capital to supplement the proposed Egyptian contribution of \$2,800,000. Nasr also hopes to get a fleet of tankers from the USSR to transport Egyptian and other Arab oil. [] Nasr believes American companies exploring existing concessions have located oil reserves in Egypt without telling him, and added that American companies will be excluded from all phases of Egyptian oil production.

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Comment

The USSR has sought to play a larger role in Middle East oil development over the past year, and would welcome a foothold in Egypt, although the oil-producing potential there is considered small and probably capable of satisfying only Egypt's domestic needs.

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4. PRAVDA GIVES LIMITED APPROVAL TO MAO'S TENETS

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[Redacted]

Pravda's editorial of 16 July is the first authoritative Soviet endorsement of Mao Tse-tung's "secret" speech of 27 February. Pravda admitted that Mao's speech was "of great significance for Marxist-Leninist theory in general," but accorded only limited recognition to the validity of Mao's thesis on contradictions within other countries of the bloc.

Pravda emphasized the applicability of Mao's speech to China itself, calling it a "tremendous event in the political life of China." Scattered Soviet references to Mao's willingness to permit limited debate and criticism in China have so far been designed to discourage emulation by Soviet intellectuals and have attempted to avoid its application to Soviet life by placing the USSR on a different level of historical development.

Prior to its publication late last month, Mao amended his speech to define the limits of debate in China. This amendment, together with the regime's crackdown on "rightist" critics, may have offset any Soviet concern that Mao had gone too far. Khrushchev may now be attempting to move the USSR to a closer accommodation of Chinese ideological innovations following the purge of Molotov, who is believed to have been hostile to them. During his recent trip to Czechoslovakia, Khrushchev said of China that it "never copies or repeats anything and does everything on the basis of Marxist-Leninist teaching, but everything in China is done in a Chinese way."

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5. KADAR GOVERNMENT REMAINS FIRM AFTER MOSCOW PURGES

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The American legation in Budapest believes the primary short-term effect of the Moscow shift will be to strengthen the Kadar elements of the Hungarian Socialist Workers' (Communist) Party.

Kadar and his cohorts quickly recovered from their confusion and issued assurances that there would be no immediate policy shift in Hungary. Subsequent attacks on Jozsef Revai, the Stalinist ideologist who was reinstated on the central committee at the national party conference held 27-29 June, suggest that some high Stalinists may be removed. The embassy believes, however, that Kadar will continue to restrain the more liberal wing of the party.

Comment

In a statement reported in Budapest newspapers on 13 July, Soviet Party First Secretary Khrushchev declared that he had "recently" met Kadar and "saw with pleasure that he is in good health," which suggests that Kadar may have conferred with Khrushchev in Czechoslovakia. A 4 July announcement stated that Kadar was "on vacation" but did not specify the locale. These remarks and Khrushchev's recent commendation of Kadar for restoring order in Hungary are obviously designed to reassure Hungarian party members that Kadar is in no danger as a result of the Kremlin shake-up.

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7. MALAYAN CHIEF MINISTER MAKES NEW BID TO END COMMUNIST TERRORISM

Comment on:

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A concerted effort to bring about an early end of Communist terrorism in Malaya appears to have been touched off by a 14 July speech by Chief Minister Rahman in which he declared that all available resources would be used to end the emergency by the close of 1958. So far the effort has been mostly psychological. Two small new areas have been declared free of terrorists, and a renewed offer of amnesty has been extended to one small group of terrorists still operating near Kuala Lumpur.

Of considerably greater significance is Rahman's public statement on 15 July that he is willing to have another meeting with Communist leader Chin Peng and that he believes Chin will contact him in the near future. Rahman feels that, with independence virtually achieved, he is in a strong position to negotiate a settlement with a minimum of concessions to the increasingly hard-pressed and isolated terrorists, who now number less than 2,000. For their part, the Communists have indicated a growing desire to leave the jungle and concentrate on "peaceful" subversion.

The most propitious time for another meeting would seem to be soon after Malaya achieves independence next month. There is still, however, a wide divergence between Rahman's insistence on "complete surrender" and Chin Peng's demands for recognition of the Malayan Communist Party and guarantees against detention or investigation of those terrorists who lay down their arms.

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